

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 2893-01
BILL NO. HJR 49
SUBJECT: Constitutional Amendment: Taxation and Revenue - Property
TYPE: Original
DATE: January 31, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$65,700)	\$0	(Unknown)
Blind Pension	\$0	(\$160,000)	(\$160,000)
Partial Estimated Net Effect on <u>All</u> State Funds*	(\$65,700)	(\$160,000)	(\$160,000)

*Does not include possible increased cost to fully fund Foundation Formula

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	(\$0 to \$31,700,000)	(\$0 to \$31,700,000)

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Elementary and Secondary Education** noted that, in times of rising property values, the proposal would decrease property values and tax collections. This would reduce the deductions in the Foundation Formula, which would increase the amount needed to fully fund the Formula.

State Tax Commission officials estimated maximum possible losses to political subdivisions at approximately \$31,700,000 per year. (They note that political subdivisions which are not taxing real property at the tax rate ceiling could avoid some of the loss by raising rates, thus shifting part of the tax load.)

Officials note that the two-year increase in residential assessed valuations was about \$2,000,000,000 and that, according to the Missouri Realtors' Association, about 5% of homes are sold each year, or 10% every two years. $(.9 \times \$600,000,000) / 100 \times \$5.87 = \$31,700,000$. The loss to the Blind Pension Fund would be approximately \$160,000 per year.)

Oversight assumes that the proposal's impact on property taxes would not be felt until FY 2002, since the proposal would affect the 2001 reassessment. The impact on the Foundation Formula would be felt beginning in FY 2002.

Advertisement costs for the proposal would be \$4,3800 per newspaper column inch for three publications of the text of the proposal, the introduction, title, fiscal note summary, and affidavit. The proposal would be on the ballot for the November 2000 general election.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
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GENERAL REVENUE FUND

Cost to General Revenue Fund

Secretary of State

Newspaper Advertisements	(\$65,700)	\$0	\$0
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<u>FISCAL IMPACT - State Government</u> (continued)	FY 2001	FY 2002	FY 2003
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Department of Elementary and
Secondary Education

Fully funded Foundation Formula

\$0 (Unknown) (Unknown)

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

(\$65,700) (Unknown) (Unknown)

BLIND PENSION FUND

Loss-Reduced Collections

\$0 (\$160,000) (\$160,000)

ESTIMATED NET EFFECT ON BLIND PENSION FUND

\$0 (\$160,000) (\$160,000)

<u>FISCAL IMPACT - Local Government</u>	FY 2001	FY 2002	FY 2003
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POLITICAL SUBDIVISIONS

Loss-Reduced Property Taxes

\$0	(\$0	(\$0
	to	to
\$31,700,000)	\$31,700,000)	

ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS

\$0	(\$0	(\$0
	to	to
\$31,700,000)	\$31,700,000)	

FISCAL IMPACT - Small Business

Small businesses would be affected in areas where property tax rates were raised in order to offset decreased assessments of residential property.

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DESCRIPTION

This proposal would provide that residential real property be assessed only when a title transfer occurred. Original assessed values would be the assessed value as of December 1, 1999.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposal would affect Total State Revenues.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
State Tax Commission
Secretary of State

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
January 31, 2000